

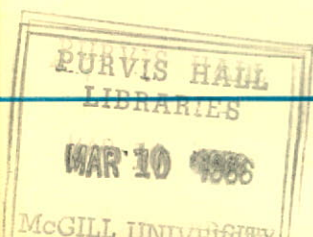
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ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies



1965

Financial Statements



On pourra se procurer le texte français de ce rapport en s'adressant au secrétariat de la Compagnie, case postale 6090, Montréal 3 (Québec) Canada.

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET — ASSETS — 31st December 1965

	in Canadian Dollars	
	1965	1964
Current Assets:		
Cash	\$ 12,574,189	\$ 13,899,052
Time deposits and Government of Canada securities, at cost	10,087,175	11,292,861
Receivables	27,067,228	23,999,296
Receivable from affiliated companies	125,711,065	97,950,550
Inventories of aluminum, materials and supplies (note 2)	128,831,237	132,124,748
	<u>304,270,894</u>	<u>279,266,507</u>
Deferred receivables	10,120,909	8,527,937
Prepaid expense and deferred charges	5,390,823	6,935,956
Investments in companies not consolidated, at cost	953,750	2,589,991
Lands, plants, riparian rights, and facilities, at cost (note 3)	1,381,125,263	1,353,018,916
Less: Accumulated depreciation and depletion (note 4)	676,936,054	631,131,425
	<u>704,189,209</u>	<u>721,887,491</u>
	<u>\$1,024,925,585</u>	<u>\$1,019,207,882</u>

Approved by the Board: FRASER W. BRUCE, Director

DANA T. BARTHOLOMEW, Director

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET — LIABILITIES — 31st December 1965

	in Canadian Dollars	
	1965	1964
Current Liabilities:		
Payables	\$ 44,708,488	\$ 38,943,330
Payable to affiliated companies	240,048	2,125,632
Income and other taxes	36,827,341	32,981,625
Other debt payable within one year (note 5)	622,911	2,694,503
	<u>82,398,788</u>	<u>76,745,090</u>
Debt not maturing within one year (note 5)	431,554,243	449,150,621
Deferred income taxes (note 4)	126,321,328	124,572,178
Capital Stock and Surplus:		
Cumulative redeemable sinking fund preferred shares (note 6):		
4% first preferred — par \$25		
Authorized — 600,000 shares		
Outstanding — 345,195 shares (1964 — 360,505 shares)	8,629,875	9,012,625
4½% second preferred — par \$50		
Authorized — 1,200,000 shares		
Outstanding — 1,014,627 shares (1964 — 1,038,963 shares)	50,731,350	51,948,150
Common shares — without nominal or par value:		
Authorized — 10,000,000 shares		
Outstanding — 8,800,000 shares	100,000,000	100,000,000
Earned surplus (note 7)	225,290,001	207,779,218
	<u>384,651,226</u>	<u>368,739,993</u>
	<u>\$1,024,925,585</u>	<u>\$1,019,207,882</u>

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME — year ending 31st December 1965

	in Canadian Dollars	
	1965	1964
Sales and Revenues:		
Sales	\$460,011,739	\$394,007,152
Operating revenues (transportation services, power sales, etc.)	54,459,912	49,420,022
Other income (note 8)	3,886,146	3,240,912
	<u>518,357,797</u>	<u>446,668,086</u>
Costs and Expenses:		
Cost of sales and operating expenses	307,988,690	271,762,962*
Provision for depreciation and depletion (note 4)	48,854,000	49,376,038
Selling, research and administrative expenses	30,266,036	27,837,040*
Interest on debt not maturing within one year	20,238,013	20,818,563
Exchange loss on redemption of debt	1,710,353	2,190,609
	<u>409,057,092</u>	<u>371,985,212</u>
Income before income taxes	109,300,705	74,682,874
Provision for income taxes:		
Current	49,429,771	31,996,233
Deferred (note 4)	1,718,654	952,322
	<u>51,148,425</u>	<u>32,948,555</u>
Net income	<u>\$ 58,152,280</u>	<u>\$ 41,734,319</u>

*After certain reclassifications for the purpose of comparability with 1965

CONSOLIDATED STATEMENT OF EARNED SURPLUS — year ending 31st December 1965

	in Canadian Dollars	
Earned surplus — 31st December 1964		\$207,779,218
Net income for the year		<u>58,152,280</u>
		265,931,498
Dividends:		
4% first preferred	\$ 347,797	
4½% second preferred	2,293,700	
Common	<u>38,000,000</u>	<u>40,641,497</u>
Earned surplus — 31st December 1965 (note 7)		<u>\$225,290,001</u>

AUDITORS' REPORT

To the Shareholders of Aluminum Company of Canada, Ltd:

We have examined the consolidated balance sheet of Aluminum Company of Canada, Ltd and subsidiary companies as at 31st December 1965 and the consolidated statements of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and earned surplus present fairly the financial position of Aluminum Company of Canada, Ltd and subsidiary companies as at 31st December 1965 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Pricewaterhouse & Co.

Montreal, 22nd February 1966

Chartered Accountants.

NOTES TO FINANCIAL STATEMENTS

1. Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries, Alanco (Aurora) Limited, Alcan Design Homes Limited, Alcan Jamaica Limited, Almetco Manufacturing Corp. Limited, Chaguaramas Terminals Limited, Demerara Bauxite Company, Limited, Kitimat Terminals Limited, Morfoils Limited, Newfoundland Fluorspar Limited, Roslyn Metal Products Limited, Saguenay Shipping Limited, Saguenay Shipping (U.K.) Limited, Saguenay Terminals Limited, and The Roberval and Saguenay Railway Company.

All intercompany items and transactions, including profits in inventories, have been eliminated.

Accounts, other than Canadian currency accounts, included in the consolidated balance sheet are translated into Canadian dollars at rates of exchange current at 31st December 1965, except that (a) certain fixed bank deposits, inventories, investments and fixed assets with related provisions for depreciation and depletion are at rates determined at dates of acquisition and (b) debts not maturing within one year, with a minor exception, are at rates current at dates of original borrowing. Accounts in the consolidated statement of income, except provisions for depreciation and depletion, are translated at average exchange rates prevailing during the year.

2. Inventories of Aluminum, Materials and Supplies:

Inventories, as summarized below, are stated at lower of cost (determined for the most part on the monthly average method) or market:

	1965	1964
Aluminum	\$ 43,133,374	\$ 52,403,565
Raw materials	60,620,858	59,286,675
Supplies	25,077,005	20,434,508
	<u>\$128,831,237</u>	<u>\$132,124,748</u>

NOTES TO FINANCIAL STATEMENTS

3. Lands, Plants, Riparian Rights, and Facilities:

	1965	1964
Land and water rights	\$ 33,928,702	\$ 33,957,895
Mineral properties, rights and development	12,500,526	12,071,329
Buildings, machinery and equipment	1,291,558,875	1,271,479,985
	<u>1,337,988,103</u>	<u>1,317,509,209</u>
Construction work in progress	43,137,160	35,509,707
	<u>\$1,381,125,263</u>	<u>\$1,353,018,916</u>

Capital projects are expected to involve the expenditure of some \$50 million during 1966.

4. Depreciation Policy and Deferred Income Taxes:

With minor exceptions, depreciation recorded in the accounts is calculated on a straight-line basis and depletion, not significant in amount, is calculated on the unit of production basis.

Income tax regulations in Canada, and in certain other countries, permit the use (for the purpose of determining income taxes) of various forms of capital cost allowances which do not coincide with the amount of depreciation recorded in the accounts. These allowances generally exceed straight-line depreciation during the early life of new assets and later fall short of it.

When capital cost allowances utilized for determining income taxes exceed straight-line depreciation, an amount equivalent to the resultant reduction in current income taxes is charged to income and credited to Deferred Income Taxes. When these allowances so utilized fall short of straight-line depreciation, resulting in higher current income taxes than would otherwise be payable, an appropriate portion of the amount previously deferred is transferred back to income.

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

NOTES TO FINANCIAL STATEMENTS

5. Debt Not Maturing Within One Year:	1965	1964
Aluminum Company of Canada, Ltd:		
Revolving credit loans from banks, under U.S. \$60,000,000 credit agreement, convertible at the Company's option on or before maturity (1st May 1967) into term loans repayable in five equal consecutive annual installments beginning one year from date of conversion — (U.S. \$25,000,000)	\$ 26,042,571	\$ 22,308,567
First mortgage 3½ % sinking fund bonds, due 1974:		
Series "A"	2,692,000	4,130,000
Series "B" (U.S. \$6,228,000)	6,228,000	7,228,000
Commutation value of contractual obligation for annual payments secured by second hypothec — payable in Canadian and United States currency, in equal parts	5,625,000	5,925,000
3½ % Sinking fund debentures, due 1971	23,670,000	25,010,000
3⅞ % Sinking fund debentures, due 1970 (U.S. \$25,154,000)	24,753,108	35,326,860
4½ % Sinking fund debentures, due 1973	31,176,000	33,771,000
4½ % Sinking fund debentures, due 1980 (U.S. \$85,941,000)	83,171,431	89,615,835
5.10 % Notes, due 1968/1992 (U.S. \$100,000,000)	97,586,489	97,586,489
Redeemable notes — payable to the U.K. Government — interest and \$35,981,250 of principal abatable in certain circumstances as provided in the contracts under which they were issued:		
3 % Notes, due 1971	54,950,000	54,950,000
3½ % Notes, due 1971	24,975,000	24,975,000
3½ % Notes, due 1974	40,000,000	40,000,000
Alcan Jamaica Limited:		
Bank loans, due 1968 (£4,000,000)	10,815,620	10,815,620
Other debt	483,497	—
	432,168,716	451,642,371
Less: Debt payable within one year included in current liabilities (equivalent to \$622,911 at year-end rates of exchange)	614,473	2,491,750
	<u>\$431,554,243</u>	<u>\$449,150,621</u>

Allowing for payments already made, sinking fund requirements over the next five years against the above debt, other than bank loans, amount to approximately \$.6 million in 1966, \$.8 million in 1967, \$20.0 million in 1968, \$20.5 million in 1969 and \$16.4 million in 1970.

NOTES TO FINANCIAL STATEMENTS

6. Preferred Shares:

At the option of the Board of Directors, preferred shares may be redeemed in whole or in part, at the following prices:

4% First preferred shares — on twenty days' notice at \$26.37½ per share

4½% Second preferred shares — on thirty days' notice (a) for other than sinking fund purposes at \$52.75 per share to 30th November 1967, decreasing by 25 cents per share each three years to 30th November 1976, and thereafter at \$51.75 per share, and (b) for sinking fund, at \$51.50 per share.

7. Dividend Restrictions:

Pursuant to the provisions of certain debt issues, approximately \$149 million of earned surplus at 31st December 1965 is not distributable in dividends either in cash or in kind on the common shares.

8. Other Income:

	1965	1964
Gain from sale of fixed assets	\$2,903,712	\$1,958,609
Income from investments	782,983	1,148,227
Other	199,451	134,076
	<u>\$3,886,146</u>	<u>\$3,240,912</u>

9. Commitments:

A consolidated subsidiary company, Saguenay Shipping Limited, has charter hire commitments amounting to \$11.1 million in 1966 (\$21.0 million paid in 1965), \$8.9 million in 1967, \$7.6 million in 1968, \$6.1 million in 1969, \$4.6 million in 1970, \$2.9 million in 1971 and lesser amounts up to 1978.

See also reference to capital expenditures in note 3.

10. Statutory Information:

Total remuneration received by the directors of Aluminum Company of Canada, Ltd (including the salaries of officers who are directors) amounted to \$152,917 in 1965.

DIRECTORS

DANA T. BARTHOLOMEW — Chief Financial Officer, Aluminium Limited

FRASER W. BRUCE — President

DAVID M. CULVER — Chief Sales Officer, Aluminium Limited

HOLBROOK R. DAVIS — Chief Employee Relations Officer, Aluminium Limited

NATHANAEL V. DAVIS — President, Aluminium Limited

J. F. EVANS — Chief Administrative Officer, Aluminium Limited

PAUL LAROQUE — Secretary and Legal Officer, Aluminium Limited

PAUL LEMAN — Executive Vice President

R. E. POWELL — Honorary Chairman

J. ALEX. PRUD'HOMME, Q.C. — of the firm Geoffrion & Prud'homme

H. H. RICHARDSON — Chief Technical Officer, Aluminium Limited

M. P. WEIGEL — Chief Operations Officer, Aluminium Limited

OFFICERS

FRASER W. BRUCE — President

J. ALEX. PRUD'HOMME, Q.C. — Vice President

PAUL LEMAN — Executive Vice President

Vice Presidents in charge of a Division or Department:

CLAUDE P. BEAUBIEN: Public Relations and Advertising

J. W. CAMERON: Smelters

N. S. CRERAR: Power

D. W. EVANS: Chemicals

J. J. GAGNON: Personnel

R. T. HYLAND: Canadian Sales

M. WILLIAMSON: Fabricating

F. C. WINSER: Export Sales

E. H. EBERTS — Vice President and Secretary

W. J. REID — Vice President and Treasurer



ALUMINUM COMPANY OF CANADA, LTD
Montreal, Quebec, Canada
